

## BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEALS OF DAVE	) APPEAL NOS. 07-A-2049,
SMITH CHEVROLET, INC. from the decision of the	) 07-A-2050 and 07-A-2051
Board of Equalization of Shoshone County for tax	) FINAL DECISION
year 2007.	) AND ORDER

### COMMERCIAL PROPERTY APPEALS

THESE MATTERS came on for consolidated hearing September 26, 2007 in Wallace, Idaho, before Hearing Officer Steven Wallace. Board Members Lyle R. Cobbs, David E. Kinghorn, and Linda S. Pike participated in this decision. President Kenneth Smith and Ray Flaherty appeared for Appellant. Assessor Jerry White and Deputy Assessor Greg Saylor appeared for Respondent Shoshone County. These appeals are taken from a decision of the Shoshone County Board of Equalization (BOE) denying the protests of valuation for taxing purposes of property described as Parcel Nos. RPD00000061525A, RPD1150008005AA and RPD03500050000A.

**The issue on appeal is the market value of the commercial properties on January 1, 2007.**

**The decision of the Shoshone County Board of Equalization is modified.**

### FINDINGS OF FACT

Two (2) of the subject parcels are contiguous (Parcel Nos. RPD00000061525A and RPD03500050000A.) The third is located across town on the other side of the Interstate. The record reveals the three lots are used for vehicle storage and primarily improved with asphalt paving. According to the County, asphalt on the contiguous parcels was installed in 2005 and was rated as 98% good (2% depreciated.) The asphalt on third parcel was estimated to be 75% good (25% depreciated.) The parties' value positions follow.

<u>Parcel No.</u>	<u>RPD00000061525A</u>	<u>RPD03500050000A</u>	<u>RPD1150008005AA</u>
Taxpayer			
Land	47,568	105,045	34,968
Impr.	26,749	112,700	30,110
Total	74,317	217,745	65,078
County			
Land	88,436	195,090	55,125
Impr.	53,498	112,700	30,110
Total	141,934	307,790	85,235

Appellant's three (3) land values are calculated from a rate of \$3.25 per square foot. The rate was derived from a January 2005, 9.03 acre sale. A number of important terms and conditions surrounding the 2005 land sale were not available. Appellant made no adjustments to the indicated price rate for known differences with the subjects. The total sale price was not disclosed and no time-adjustment was made. The early 2005 land sale was reportedly later developed as a condominium project and other commercial property types dissimilar to the subject property considered in this opinion. Appellant contends the price paid was high, and that the land is superior to the subject properties, and that size in the local marketplace makes little or no difference on a price per unit basis.

For two parcels, Appellant valued the improvements at their assessed value where it approximated actual cost less a 20% depreciation allowance. In the third instance, the improvements were valued at 50% of their assessed value, since they were "old improvements." The Assessor considered the asphalt on the third parcel to be in newer condition (98% good factor.) Appellant has paid to have a significant amount of asphalt paving installed over the years. In Kellogg, the reported installed cost new in 2007 was about \$1.80 per square foot which was noted to be considerably less than the assessed values. Respondent argued cost was not automatically the same as value.

Subjects were last reappraised for the 2005 tax year. Subsequent trending of these base values occurred in 2006 and again for the current 2007 tax year toward maintaining assessed values at market value.

At hearing, the assessor presented information on two (2) commercial, 2006 “land” sales. Both sales were in Kellogg but not particularly close to any of the subjects. These property sales were not compared or adjusted in a traditional sales comparison approach. Some sales analysis was offered. After time-adjustment for “date of sale”, the two sales indicated prices of \$6.13 and \$11.22 per square foot. Respectively, the two sale properties had 27,125 and 13,974 square feet of land area. The three subject sites ranged in size from 10,768 to 32,312. The Assessor reported the reappraisal analysis yielded multiple land schedules for different parts of Kellogg.

The referenced trending for 2007 was determined from a sales ratio study pertaining to the two land sales mentioned above and five improved commercial property sales. After the 2007 trending, the subject asphalt was valued between 2.80 and 3.65 per square foot.

Each party presented exhibit materials showing their respective value calculations.

#### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Property assessments are based on the status and market value of property on January 1 of each assessment year. Idaho Code §§ 63-205(1), 63-201(10), 63-208 *et seq.* The specific date of valuation pertaining to the market value questions in this appeal is January 1,

2007.

In an appeal taken to this Board, the burden of proof falls upon the Appellant “to establish that the valuation from which the appeal is taken is erroneous . . . [a] preponderance of the evidence shall suffice to sustain the burden of proof.” Idaho Code § 63-511(4).

The subject assessments were arrived at through a process of periodic reappraisal with trend factors applied in the years between reappraisal. The trending was substantial and applied twice over the two-year time frame. The sales relied on for determining city-wide trends were not highly similar to the subject properties under review. The sales information does however indicate material increases in local commercial property values over the last two years.

Limited market information and some single-property appraisal analysis was offered by the County. Albeit not directly or precisely, the subject assessments were based on a consideration of recent local sales data and recognized assessment practices.

There were recent local sales available which could have been incorporated into a current sales comparison approach. The Board notes the Assessor’s dated appraisals were updated (trended) with reference to recent, time-adjusted sales information. With one exception discussed below, the Board considered the assessor-generated values to be more persuasive and procedurally sound than the taxpayer’s in relation to the current market value standard.

Appellant’s value cases rely chiefly on a single, dated “10-acre” land sale. The total price and sale terms for this land were not fully disclosed or known. In arriving at values for the asphalt paving, booked cost expenditures were generally depreciated by 20%, or in one case 50%, and then combined with land value estimates. In two instances this resulted in asphalt values equivalent to assessed values. Appellant’s valuation of the asphalt paving was not particularly precise or notably persuasive except where information related to new asphalt paving

costs.

An error in the estimated value contribution of paving could overstate total parcel values. The cost of new asphalt paving was reasonably well established in the record. Replacement cost is not automatically equal to value. It is however recognized to bear certain relationships with market value, especially in regards to the economic principle of substitution where cost new tends to set an upper limit on value.

In general, the Board found taxpayer's valuation model bore some relation to appraisal techniques, but significantly failed to duly consider recent and local available sales and price information. The notable exception was the good evidence on the cost of new asphalt paving. All three subjects were improved with asphalt. The Board finds the value of the paving is overstated in the subject assessments. Under the circumstances the value contribution would not be expected to far exceed the replacement cost. The current replacement cost averaged about \$1.80 per square foot. The Assessor generally agreed the 2007 assessed value for the paving, arrived at through extensive trending, far exceeded its current replacement cost. Paving is easily and relatively quickly laid or replaced.

The Board ultimately finds the trended values for the subject paving are unreasonable and erroneous. Under the circumstances, the Board will adjust the value of the paving to a rate of \$1.80 per square foot. The values of remaining improvements and the underlying land will not be changed where there was not found to be sufficient evidence and grounds to do so.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decisions of the Shoshone County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED to reflect decreases in value as follows:

<u>Parcel No.</u>	<u>Land</u>	<u>Improvement</u>	<u>Total</u>
RPD00000061525A	\$88,436	\$26,363	\$114,799
RPD1150008005AA	\$55,125	\$19,382	\$74,507
RPD03500050000A	\$195,090	\$55,570	\$250,660

MAILED MARCH 10, 2008